

AGENDA ITEM SUMMARY

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Coordinating Board for Higher Education
Performance Funding Model
December 8, 2011

DESCRIPTION

A task force appointed by the Commissioner has been meeting over the course of several months in order to develop a performance funding model to compliment the other components of the Higher Education Funding model that comprises the Coordinating Board's institutional funding policies. This item presents the recommendations of the task force for the Board's consideration.

Background

A concerted effort to revise the budget policies of Missouri public higher education started in 2007, with the establishment of the Higher Education Funding Task Force. This task force met for a year, and with the assistance of national higher education finance expert Brenda Albright, formulated a comprehensive structure for budget requests and funding allocations.

The HEF model is predicated on a stable and adequate base funding. COPHE and MCCA, individually, adopted base funding allocation formulas that would distribute additional funding differentially among their respective memberships to account for factors such as enrollment growth and shifts, the cost of programs delivered and the availability of local and other resources.

The second component of the HEF model is the concept of strategic initiatives. These are particular funding plans designed to address pressing needs facing the state. For example, the state is facing a shortage in all variety of health care professionals. With additional investment, higher education institutions were able to increase the production of health care professionals through the Caring for Missourians initiative.

The final component of the HEF model is performance funding. Missouri has a history of allocating additional state resources on the basis of performance through the Funding for Results program from the late 1990s. However there has been no visibility for performance funding since then with the exception of the budget requests for pilot projects that the Coordinating Board has consistently brought forward. Performance funding was certainly the least developed of the components of the HEF model when the commissioner established the Performance Funding Task Force in early 2011.

Task Force Activities and Recommendations

This item is intended to give a basic overview of the task force's recommendations. The recommendations themselves are presented in the attachment.

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The Performance Funding Task Force began meeting in February of 2011, and met regularly over the course of the year. The first areas of focus were to examine the emerging practices in other states regarding the implementation of performance funding. Some of the states most active in this arena are Ohio, Indiana, Tennessee, Texas and Washington. The task force found that the most recent generation of performance funding systems are characterized by an emphasis on persistence, degree completion and efficiency. This is part of a larger policy shift in higher education finance away from funding access (through rewarding enrollment) towards funding completions, consistent with the direction set by many national groups and policy leaders including President Obama, Governor Nixon and the Lumina Foundation, who have all adopted goals of greatly increasing the percentage of Americans with a postsecondary credential.

The task force used the analysis of the work in other states to inform its discussions and begin to tailor an approach that makes the most sense for Missouri. There was a commonality from other states that implied wisdom in using fewer, rather than more, indicators and making sure that definitions and data collection procedures are commonly and easily understood. As Missouri has no real policy factors driving higher education finance, such as funding being driven by enrollment, credit hour delivery, completions, etc. the task force did not have to deal with the issues many other states had to grapple with in transitioning from one set of policy factors (i.e. inputs) to another (i.e. completions).

In August of 2011, the Governor made performance funding the theme of his second Summit on Higher Education. National higher education finance experts Jane Wellman and Brenda Albright were featured at the summit and discussed trends and best practices across the country related to performance funding. In his address, the governor called for the development of performance funding measures that focused on five key areas. These were:

- Improved student success and progress;
- Increased degree attainment;
- Increased quality of student learning;
- Affordability; and
- Support of institution-specific missions.

The direction provided by the governor was largely consistent with the existing direction of the task force, as well as the research on common practices in other leading states that was studied by the task force.

Thus the task force was able to arrive at a set of recommendations that are consistent with best practices across the country and the direction called for by the governor.

The task force's recommendations are attached for the Coordinating Board's consideration.

Components yet to be Completed

There are three important components of the performance funding recommendations that are not complete at this time and will require additional board action at the February meeting. The first is the establishment of institution-specific measures for the COPHE institutions. Several

institutions submitted their proposed measures but there was not enough time for those measures to be sufficiently analyzed prior to this meeting for them to be included in the recommendation for board action. MDHE staff will work with the institutions to finalize each of those measures for approval at the February CBHE meeting.

The second component is the establishment of benchmarks upon which sustained excellence could be measured to constitute success in lieu of improvement over the previous year. For community colleges, several of their measures are part of the National Community College Benchmarking Project. The NCCBP provides an external benchmark to gauge excellence on those measures. Thus, the recommended model will recognize success as maintaining performance in the top quartile of the NCCBP, even if the institution didn't improve from the previous year.

However, for community college measures not taken from the NCCBP, and all COPHE, Linn State, and institution-specific performance measures, an external benchmark will have to be developed for the "sustained excellence" option to be available. Institutions have been working diligently towards establishing these benchmarks but they are not sufficiently developed to be a part of the recommendations at this time. If institutions wish to use this option for demonstrating success, the proposed benchmarks will have to be brought forward to MDHE staff in the upcoming weeks so they can be analyzed and validated prior to the February CBHE meeting. If external benchmarks for "sustained excellence" are not established for a particular measure, then improved performance over the previous year will be the only method used to evaluate success on that measure.

Lastly, the task force intends to incorporate a choice for institutions to utilize a special weighting factor for STEM students, completions, etc. into any existing measure where applicable and appropriate. This incorporation, while likely not complicated, has not yet taken place. However, it will be completed and brought to the CBHE for approval at the February meeting.

STATUTORY REFERENCE

Section 163.191, RSMo, CBHE statutory responsibility to develop an appropriations request for community colleges

Sections 173.005.2(2), 173.030(3), and 173.040(5), RSMo, CBHE statutory responsibility to establish guidelines for appropriations requests and to recommend a budget for each state-supported university

Section 173.005.2(7), RSMo, CBHE statutory responsibility for gathering data from state-supported institutions

RECOMMENDED ACTION

It is recommended that the Coordinating Board accept the recommendations of the Performance Funding Task Force as presented.

ATTACHMENT(S)

Attachment A – Members of the Performance Funding Task Force

Attachment B – Recommendations of the Performance Funding Task Force